

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



星美控股

## **SMI HOLDINGS GROUP LIMITED**

星美控股集團有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 198)

### **INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE DISPOSAL**

The announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### **The MOU**

The Board hereby announces that on 11 September 2019 (after the trading hours of the Stock Exchange), the Company entered into the MOU with the Purchaser in relation to the Possible Disposal

#### **General**

In the event that the Possible Disposal materialises, it may constitute a notifiable and connected transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Disposal will be made by the Company as and when appropriate in compliance with the Listing Rules.

**There is no assurance of the Company that any transactions referred to in this announcement will materialise or eventually be consummated. Shareholders of the Company and potential investors should note that the Possible Disposal is subject to, among other things, the entering into of a formal equity transfer agreement, the major terms and conditions of which are yet to be agreed upon. The Possible Disposal may or may not proceed and the final structure and terms of the Possible Disposal, which are pending further negotiations between the parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

The announcement is made by SMI Holdings Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) hereby announces that on 11 September 2019, the Company (as the Vendor) entered into a memorandum of understanding (the “**MOU**”) with SMI Culture & Travel Group Holdings Limited (as the Purchaser) in respect of the mutual intention on the possible disposal of all of the equity interests beneficially held by the Company in its subsidiary namely 成都潤運文化傳播有限公司 (Chengdu Runyun Culture Broadcasting Limited\*), which is indirectly beneficially owned by the Company and all other cinemas interests in the People’s Republic of China (“**PRC**”) beneficially owned by the Group. (the “**Target Companies**”) to the Purchaser (the “**Possible Disposal**”). Details of the MOU are set out as follows:

## **THE MOU**

Date: 11 September 2019 (After the trading hours of the Stock Exchange)

Parties: (1) The Company, as the Vendor  
(2) SMI Culture & Travel Group Holdings Limited, as the Purchaser

To the directors’ knowledge, information and belief after having made all reasonable inquiries, the Company is the controlling shareholder of the Company. As at the date of this announcement, the Company indirectly holds 63.01% of the equity interest of the Purchaser. Therefore, the Company is a connected part (with the meanings ascribed to it under the Listing Rules) of the Purchaser

## **ASSETS PROPOSED TO BE DISPOSED**

Pursuant to the MOU, the Company intends to sell and the Purchaser intends to acquire all the interests in the Target Companies.

As at the date of this announcement, the Company indirectly and beneficially owns 100% of the interests in the Target Companies.

## **CONSIDERATION**

Upon initial negotiation between the parties, total proposed consideration for the Target Companies (including the cinema assets owned by the Target Companies) was estimated to be approximately HK\$10,000,000,000.00 (ten billion Hong Kong dollars). The consideration for the Purchaser's acquisition of all equity interests in the Target Companies will be determined by both parties to the MOU after arm's length negotiations with reference to the valuation of the Target Companies by a professional valuer, and will be included in the formal share transfer agreement to be subsequently signed by the parties thereto.

The consideration for the Possible Disposal shall be paid by the Purchaser to the Company by means of issuance of the Purchaser's shares based on the consideration finally determined. The issuance price per new share of the Company is tentatively set at HK\$0.20.

## **DUE DILIGENCE**

Upon signing the MOU, the Purchaser (and its advisors and/or agents) will perform due diligence on the business, financial, legal and other matters of the Target Company. The Company will assist the Purchaser (and its advisors and/or agents) in this regard.

## **FORMAL AGREEMENT**

The parties to the MOU must negotiate on a good-faith basis and enter into a formal equity transfer agreement after the parties have determined the terms of the transaction and the relevant conditions are met.

## **LEGAL EFFECTS**

The MOU does not impose legally binding obligations on the parties in relation to the material terms of the Possible Disposal (including the consideration and capital commitments), provided that some of the general provisions relating to confidentiality and governing laws are legally binding.

## **INFORMATION ABOUT THE PURCHASER AND THE TARGET COMPANIES**

The Purchaser is a company incorporated in Bermuda with limited liability and its shares are listed and traded on the Hong Kong Stock Exchange (stock code: 2366). The Purchaser and its subsidiaries are principally engaged in the investment, production and distribution of films, investment, production and distribution of television (TV) dramas and creation, production and distribution of new media contents, production and distribution of online and film advertisements, brokerage business for film directors, scriptwriters and artists, tourism business and operation business of an online ticketing platform.

The Target Companies are companies incorporated in the PRC with limited liability and primarily holds interests in the Company's cinemas in the PRC. Currently, the Target Companies have more than 200 cinemas in operation in China.

## **REASONS FOR AND BENEFITS OF THE POSSIBLE DISPOSAL**

The Company is a limited company incorporated in the Bermuda with limited liability and the Group is principally engaged in the operation of cinemas in the PRC.

The Board believes that the Possible Disposal enables the Company to integrate its resources more effectively. The acquisition by the Purchaser of more than 200 cinemas in total of the Target Companies through issuance of consideration shares of the Purchaser creates scale effects more effectively, thereby reducing expenses and increasing profits. If the Possible Disposal eventually materialises, the Company will hold interests in the Purchaser's listed securities through the consideration shares paid by the Purchaser, which enables the Company to share the Purchaser's profits generated from its operation of cinemas in the future. In addition, the Possible Disposal may expand the high-quality businesses with sound potential in the Company's portfolio. The Possible Disposal will provide the Company with opportunities to promote the value of the Company's shareholders.

## **GENERAL**

In the event that the Possible Disposal materialises, it may constitute a notifiable and connected transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Disposal will be made by the Company as and when appropriate in compliance with the Listing Rules.

**There is no assurance of the Company that any transactions referred to in this announcement will materialise or eventually be consummated. Shareholders of the Company and potential investors should note that the Possible Disposal is subject to, among other things, the entering into of a formal equity transfer agreement, the major terms and conditions of which are yet to be agreed upon. The Possible Disposal may or may not proceed and the final structure and terms of the Possible Disposal, which are pending further negotiations between the parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **CONTINUED SUSPENSION OF TRADING OF SHARES**

Dealings in the Company's shares have been suspended with effect from 9:00 a.m. on 3 September 2018. Trading in the shares of the Company will remain suspended until further notice. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board of  
**SMI Holdings Group Limited**  
**Kenneth Jack Shang**  
*Executive Director*

**Hong Kong**, 11 September 2019

*As at the date of this announcement, the Board of Directors comprises seven Directors, including Mr. Kenneth Jack Shang and Mr. Zhang Yong as executive Directors, Mr. Jason Chia-Lun Wang and Mr. Peter Torben Jensen as non-executive Directors and Mr. Pang Hong, Mr. Li Fusheng and Mr. Wong Shui Yeung as independent non-executive Directors.*

*\*for identification purpose only*